

**BOWLING GREEN INDEPENDENT
SCHOOL DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2005

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INDEPENDENT AUDITORS' REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Bowling Green Independent School District
Bowling Green, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the **Bowling Green Independent School District** (the "District") as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the *Independent Auditors' Contract—General Audit Requirements*, Appendix II of the *Independent Auditors' Contract—State Audit Requirements*, and Appendix III of the *Independent Auditors' Contract—Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2005, and the respective changes in financial position and cash

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Kentucky State Committee for School District Audits
Members of the Board of Education
Bowling Green Independent School District

flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2005 on our consideration of **Bowling Green Independent School District's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 17 and 60 through 63 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Bowling Green Independent School District's** basic financial statements. The combining and individual nonmajor fund financial statements and additional information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the **Bowling Green Independent School District**. The combining and individual nonmajor fund financial statements, other additional information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bowling Green, Kentucky
September 2, 2005

Holland CPAs, PSC

Required Supplementary Information

Management's Discussion and Analysis



**BOWLING GREEN INDEPENDENT PUBLIC
SCHOOL DISTRICT
BOWLING GREEN, KENTUCKY
MANAGEMENT'S DISCUSSION AND
ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005**

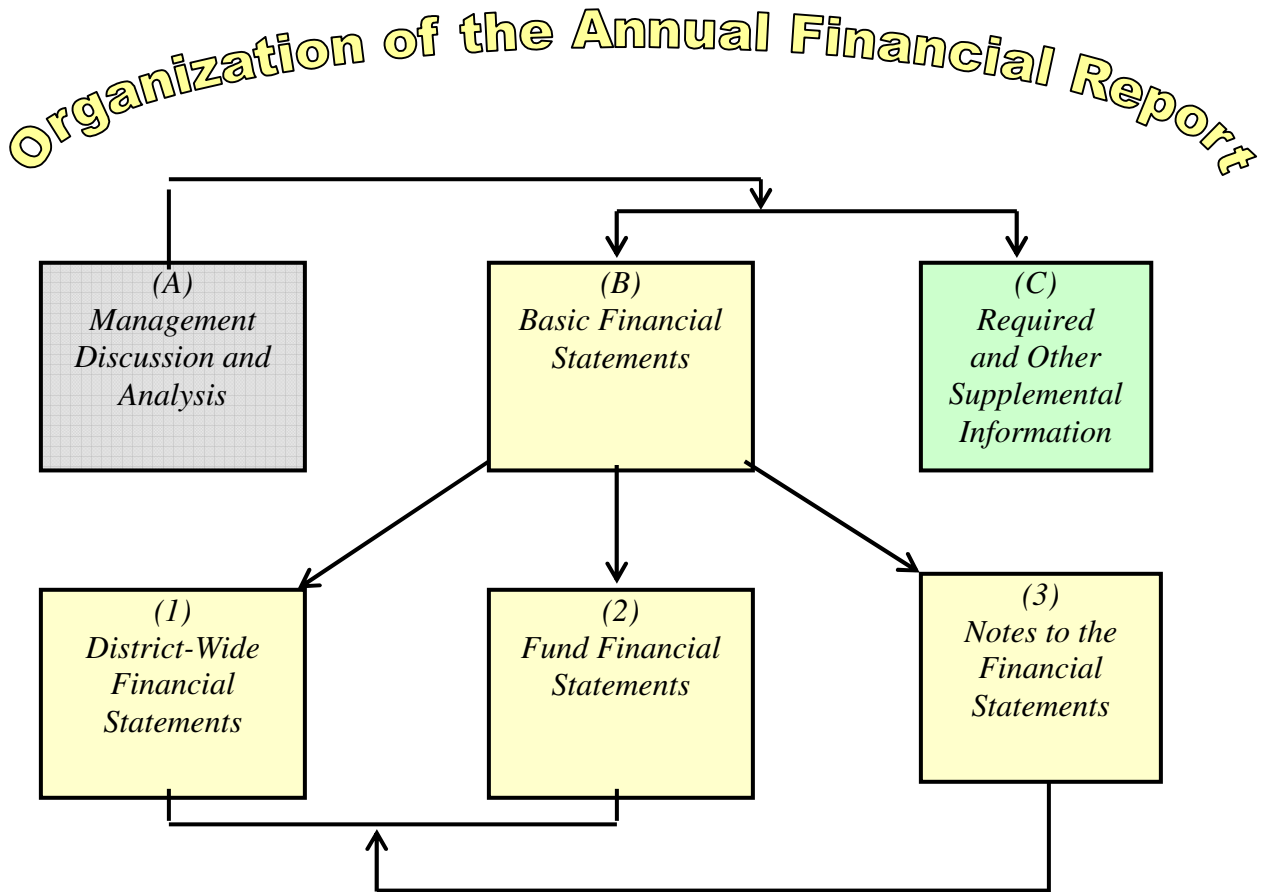
As management of the Bowling Green Independent Public School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning General Fund fund balance for the District was \$1,683,083. The ending General Fund fund balance was \$1,998,433. The primary reasons for the increase of \$315,350 in the fund balance was the district's adjustment to the staffing formula (adjusted the extra staffing to schools from 12% to 6%), increase in local revenue (\$55,649) and increase in the state SEEK funding due to increased average daily attendance. The increase in a.d.a. (average daily attendance) of 89 students accounted for an increase of \$306,781 in general fund revenue. The district's general fund balance increased moderately even though the state did not fund the first 1% of the mandated salary increase of 2.5%.
- The construction fund balance decreased dramatically (from \$8,388,672 to \$247,760) due to most of the work being completed the new Parker-Bennett-Curry construction project.
- The Capital Projects fund (or Building Fund) increased by \$224,137 to \$2,185,482. These funds will be available for future construction needs that are consistent with the long-range facilities plan that was established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. That plan calls for the construction of another elementary school center in the near future.
- The District's net assets increased by \$1,172,135 or 5.3% (from \$21,933,758 to \$23,105,893). The increase was due to a large increase in capital assets. The \$9.8 million Parker-Bennett-Curry Elementary School was completed and the district had to bond only \$4.405 million.

Overview of the Annual Financial Report (AFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Bowling Green Independent Public School District as a financial whole, an entire operating entity, in a manner similar to a private-sector business. The annual report consists of three parts: (A) management's discussion and analysis (this section), (B) the basic financial statements and note disclosures, and (C) required and other supplemental information. The statements then proceed to provide an increasingly detailed look at specific financial activities. The District's basic financial statements comprise three components: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.



The District-Wide Financial Statements have two sections (1) the *Statement of Net Assets* and (2) the *Statement of Activities*. The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other non-major funds presented in total in one column. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Reporting the School District as a Whole

One of the most important questions asked about the School District is “How did we do financially during the current fiscal year?” The *Statement of Net Assets* and the *Statements of Activities*, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the School District’s net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as Kentucky’s SEEK funding formula and its adjustments, the School District’s property tax base, required educational programs and other factors.

In the Statement of Net Assets and the Statements of Activities, the School District is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the School District’s programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extra-curricular activities. The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). Fixed assets and related debt is also supported by taxes and intergovernmental revenues.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District’s food service is reported as business activities. These activities are funded thru fees, federal grants, and federal commodities.

Net assets may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$23,105,893 as of June 30, 2005. This was an increase of \$1,172,135 over the previous year.

The largest portion of the District’s net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The amount of capital assets, net of related debt was \$18,322,981 (an increase of \$5,529,705 over the previous year). The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Reporting the School District's Most Significant Funds

Fund Financial Statements

After looking at the District as a whole, an analysis of the School District's major funds follows. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are assets that belong to others. The school's activity funds are reported as fiduciary funds. The only proprietary fund is the school food fund. A proprietary fund is sometimes referred to as an enterprise fund. It is a fund that operates like a business with sales of goods and services. All other activities of the District are included in the governmental funds. The major governmental funds for the Bowling Green Independent Public School District are the general fund, special revenue (grants), building fund (FSPK), construction fund and the unused sick leave trust fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Assets and the Statements of Activities) and governmental *funds* is reconciled in the financial statements.

Proprietary Funds - Proprietary funds use the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match. The only proprietary fund is our food service operations.

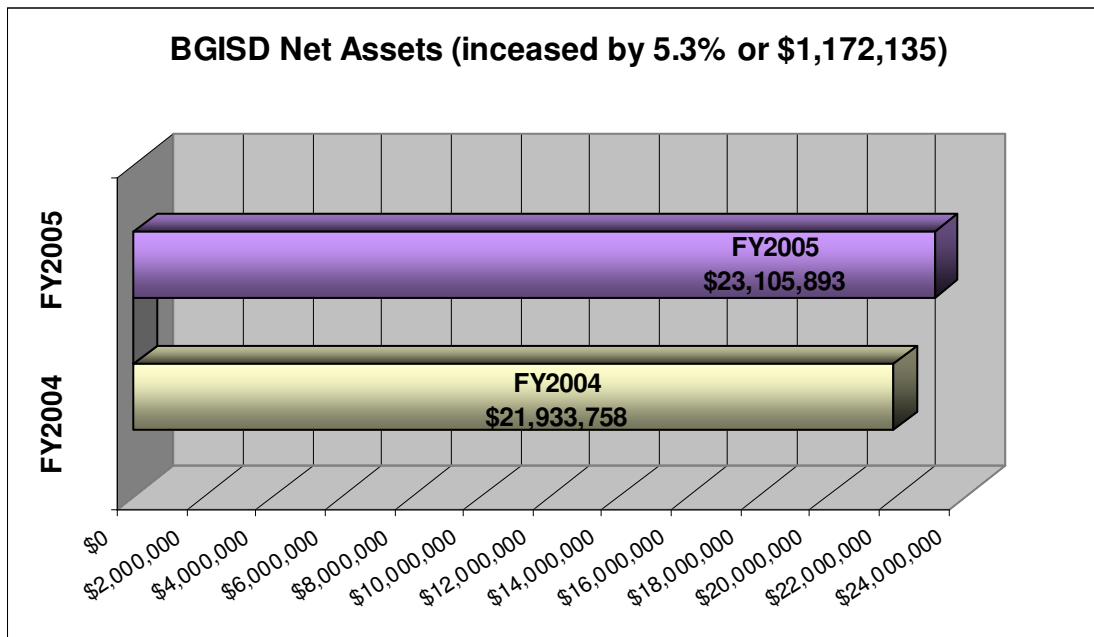
Fiduciary Funds – The schools' activity funds (or agency funds) is the District's only fiduciary fund. The schools' activity balances at year-end totaled \$302,596 (an increase of \$28,968 from the previous year).

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets for June 30, 2004 and June 30, 2005

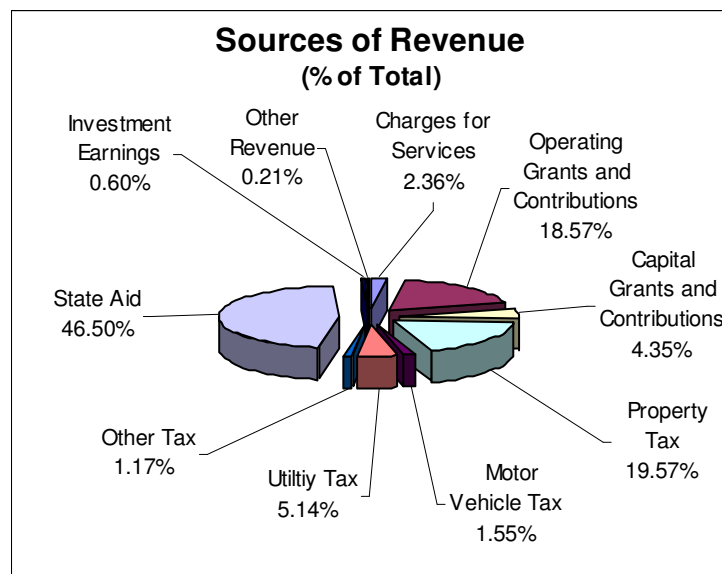
	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District Percentage Change
	FY2004	FY2005	FY2004	FY2005	FY2004	FY2005	2004-2005
Current and Other Assets	\$14,262,199	\$7,612,466	\$349,836	\$336,712	\$14,612,035	\$7,949,178	-45.6%
Capital Assets	\$29,456,210	36,761,968	\$175,950	\$537,382	\$29,632,160	\$37,299,350	25.9%
Total Assets	\$43,718,409	\$44,374,434	\$525,786	\$874,094	\$44,244,195	\$45,248,528	2.3%
Long Term Liabilities	\$19,643,152	\$18,762,932	\$22,752	\$0	\$19,665,904	\$18,762,932	-4.6%
Other Liabilities	2,611,898	3,324,033	\$32,635	\$55,670	\$2,644,533	\$3,379,703	27.8%
Total Liabilities	\$22,255,050	\$22,086,965	\$55,387	\$55,670	\$22,310,437	\$22,142,635	-0.8%
Investment in Capital Assets (net of debt)	\$12,617,326	\$17,785,599	\$175,950	\$537,382	\$12,793,276	\$18,322,981	43.2%
Restricted	\$7,846,678	3,064,592	\$0	\$0	\$7,846,678	\$3,064,592	-60.9%
Unrestricted Fund	\$999,355	1,437,278	\$294,449	\$281,042	\$1,293,804	\$1,718,320	32.8%
Total Net Assets	\$21,463,359	\$22,287,469	\$470,399	\$818,424	\$21,933,758	\$23,105,893	5.3%

At year-end assets exceeded liabilities by \$23,105,893.

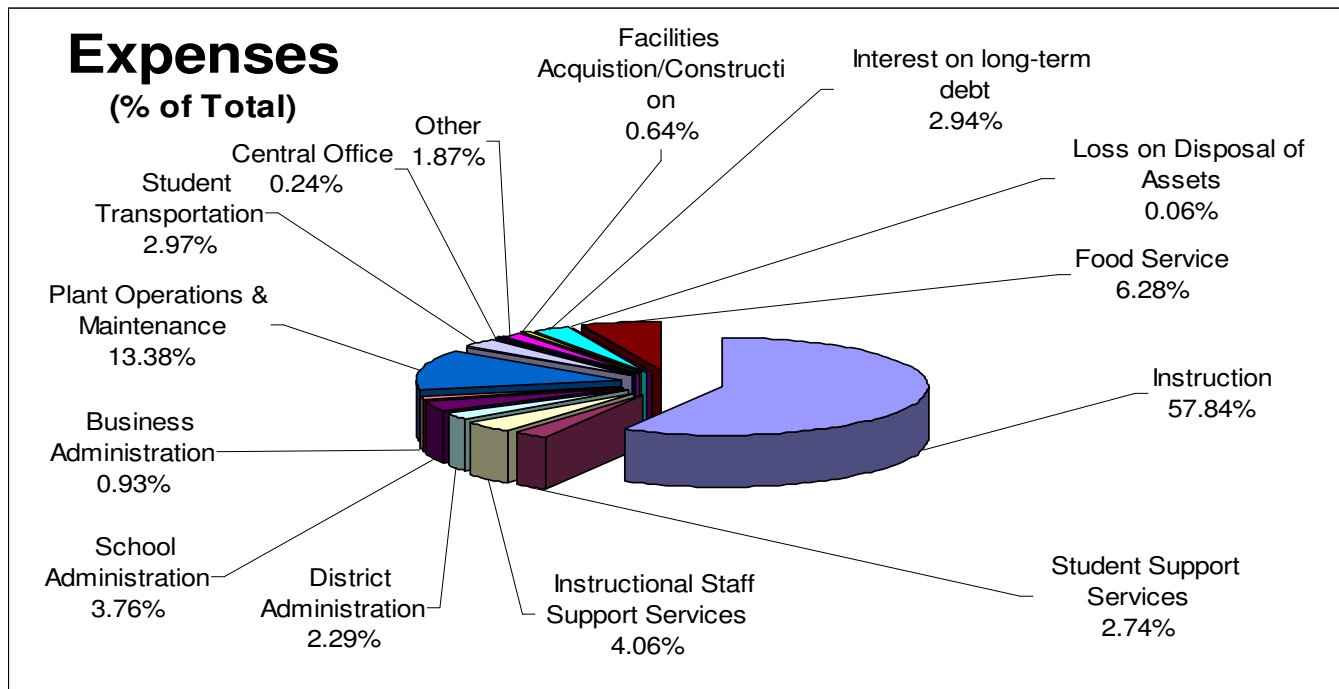


Changes in Net Assets for June 30, 2004 and June 30, 2005

Revenues	Governmental Activities		Proprietary Business-Type Activities		District Total		District Total Percentage Change 2004-2005
	FY2004	FY2005	FY2004	FY2005	FY2004	FY2005	
Program Revenues							
Charges for Services	\$118,942	\$98,154	\$647,603	\$650,113	\$766,545	\$748,267	-2.4%
Operating Grants and Contributions	\$4,648,012	\$4,650,810	\$1,139,590	\$1,236,609	\$5,787,602	\$5,887,419	1.7%
Capital Grants and Contributions	\$895,111	\$1,184,115	\$0	\$194,295	\$895,111	\$1,378,410	54.0%
General Revenue							
Taxes							
Property Tax	\$5,988,203	\$6,204,309			\$5,988,203	\$6,204,309	3.6%
Motor Vehicle Tax	\$457,132	\$492,028			\$457,132	\$492,028	7.6%
Utility Tax	\$1,772,536	\$1,630,040			\$1,772,536	\$1,630,040	-8.0%
Other Tax	\$416,954	\$369,823			\$416,954	\$369,823	-11.3%
State Aid	\$13,871,138	\$14,743,759			\$13,871,138	\$14,743,759	6.3%
Investment Earnings	\$133,462	\$184,657	\$3,926	\$5,823	\$137,388	\$190,480	38.6%
Other Revenue	\$5,785	\$65,109			\$5,785	\$65,109	1025.5%
Total Revenues	\$28,307,275	\$29,622,804	\$1,791,119	\$2,086,840	\$30,098,394	\$31,709,644	5.4%



Expenses	Governmental Activities		Proprietary Business-Type Activities		District Total		District Total Percentage Change
	FY2004	FY2005	FY2004	FY2005	FY2004	FY2005	2004-2005
Instruction	\$17,414,608	\$17,664,094			\$17,414,608	\$17,664,094	1.4%
Support Services							
Student Support Services	\$850,245	\$837,535			\$850,245	\$837,535	-1.5%
Instructional Staff	\$674,259	\$1,239,090			\$674,259	\$1,239,090	83.8%
District Administration	\$763,120	\$698,490			\$763,120	\$698,490	-8.5%
School Administration	\$1,170,875	\$1,149,031			\$1,170,875	\$1,149,031	-1.9%
Business Administration	\$243,598	\$284,341			\$243,598	\$284,341	16.7%
Plant Operations & Maintenance	\$4,094,058	\$4,086,846			\$4,094,058	\$4,086,846	-0.2%
Student Transportation	\$831,166	\$906,047			\$831,166	\$906,047	9.0%
Central Office	\$304,789	\$72,457			\$304,789	\$72,457	-76.2%
Other	\$366,973	\$571,629			\$366,973	\$571,629	55.8%
Food Service Operations	\$403,959				\$403,959		-100.0%
Facilities Acquisition/Construction	\$0	\$194,739			\$0	\$194,739	100.0%
Interest on Long-Term Debt	\$871,370	\$897,302			\$871,370	\$897,302	3.0%
Bond Issuance Cost	\$37,981				\$37,981		-100.0%
Loss on Disposal of Assets	\$45,976	\$17,180			\$45,976	\$17,180	-62.6%
Food Service			\$1,754,418	\$1,918,728	\$1,754,418	\$1,918,728	9.4%
Total Revenues	\$28,072,977	\$28,618,781	\$1,754,418	\$1,918,728	\$29,827,395	\$30,537,509	2.4%

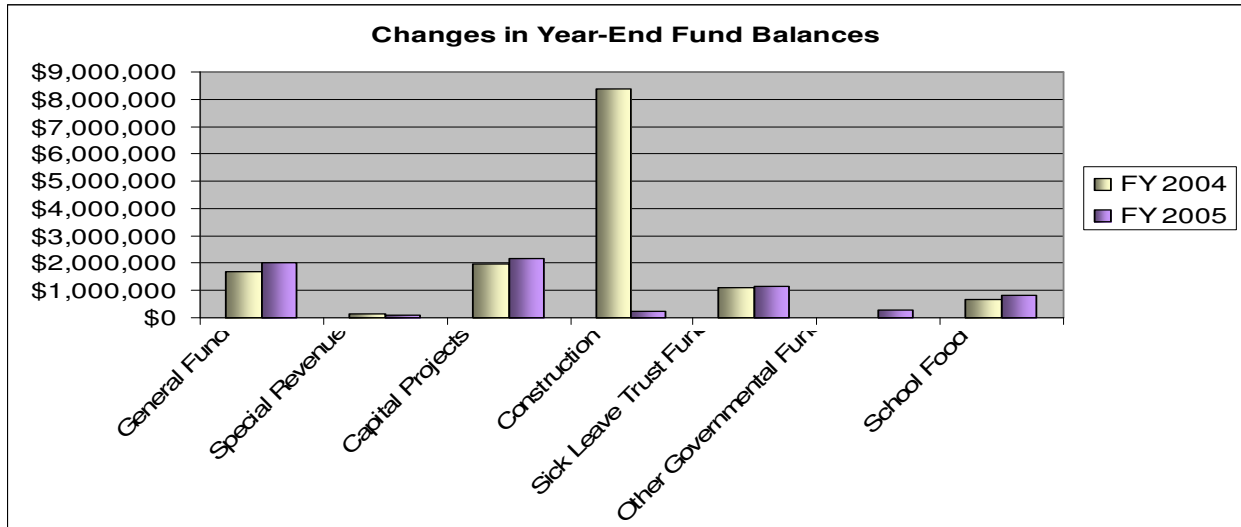


The District's total revenues were \$31,709,644 and the total expenses were \$30,537,509. Revenues exceeded expenses by \$1,172,135.

- State revenues accounted for 46.5% and local taxes accounted for 27.43% of the revenue.
- Instruction was the major expense category and accounted for 57.84% to the total.
- Food service revenues exceeded expenses by \$168,112 and Governmental revenues exceeded expenses by \$1,004,023.

Financial Analysis of the District Funds

Changes in End-of-Year Fund Balances	FY 2004	FY 2005	Amount of Change	% Change
General Fund	\$1,683,083	\$1,998,433	\$315,350	19%
Special Revenue	\$163,624	\$89,223	(\$74,401)	-45%
Capital Projects	\$1,961,345	\$2,185,482	\$224,137	11%
Construction	\$8,388,672	\$247,760	(\$8,140,912)	-97%
Sick Leave Trust Fund	\$1,114,685	\$1,165,460	\$50,775	5%
Other Governmental Funds	\$0	\$265,302	\$265,302	100%
School Food	\$650,312	\$818,424	\$168,112	26%
Total	\$13,961,721	\$6,770,084	(\$7,191,637)	-52%

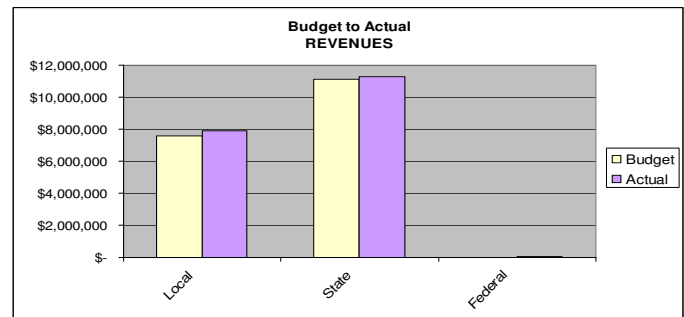


- The General Fund's fund balance showed an increase of \$315,350. This was primarily the result of adjusting the staffing formula and an increase in state SEEK funding due to increased enrollment.
- The Special Revenue fund had a negative change of \$74,401. The principal reason for the difference is that prior year technology funds were expended during the current year. All projects in the Special Revenue fund are zeroed at end-of-year except the technology project.
- The Building Fund (Capital Projects) shows an increase in the fund balance of \$224,137 due to increased state revenue (\$85,332) and decreased expenditures for facilities.
- The Construction fund shows a decrease in fund balance of \$8,140,912 due to the completion of the Parker-Bennett-Curry construction project.
- The Sick Leave Trust fund shows an increase of \$50,775. This was due to an increase in interest earnings.
- The School Food Fund's fund increased by \$168,112 due to new fixed assets at the new Parker-Bennett Curry School.
- Other Governmental Funds show an increase of \$265,302 due to payment for a pending bond payment on July 1, 2005.

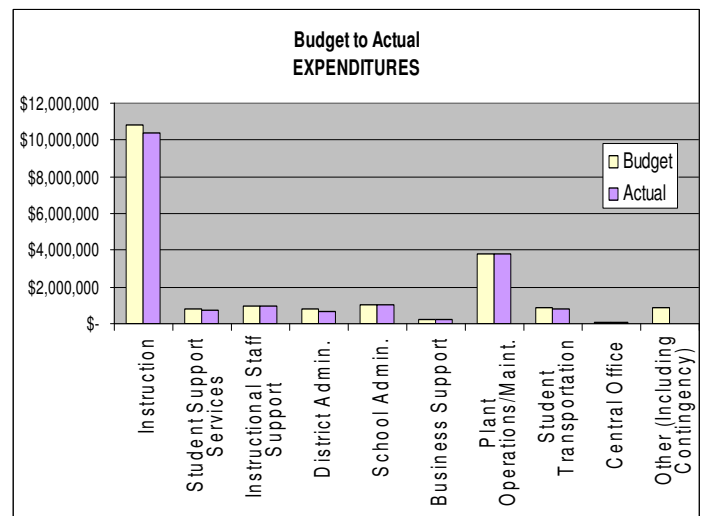
Comments on General Fund and Special Revenue Budget Comparisons

- The District's General Fund total revenues for the fiscal year ended June 30, 2005, net of interfund transfers, were \$19,193,194. This is \$476,027 more than was budgeted in the final working budget. The district budgeted conservatively in its local and state revenues and received \$271,452 more in local funds and \$169,315 more in state funds than was budgeted. It is advisable to do this because there have been numerous state funding adjustments during the last four years that have decreased the amount of state revenue the district has received. A carry-forward balance of 8-10% is recommended. As more known amounts were determined, the original budget amounts were changed to reflect the revised amounts.
- Expenditures were less than budgeted by \$1,512,207. The main reason is that contingencies of \$1,015,115 were budgeted and these were not intended to be spent. Also, several expenditure codes have a budgeted amount because there is a possibility funds will be spent in those codes. Fortunately, not all these expenditures were required.
- General fund budget compared to actual revenue and expenditures varied slightly from line item to line item with the ending actual fund balance being \$315,350 more than the prior year. The primary reasons for this were adjusting the staffing formula and an increase in a.d.a. that provided more state funding.
- The Special Revenue fund budget compared to actual will always differ slightly because the state budget report only shows current fiscal year grant awards. The Special Revenue expenditures will include current year grant expenditures and previous year grant expenditures that were not completed at the end of the previous year.

REVENUES	Budget	Actual
Local	\$ 7,602,050	\$ 7,873,502
State	\$ 11,111,117	\$ 11,280,432
Federal	\$ 4,000	\$ 39,260
Total	\$ 18,717,167	\$ 19,193,194
	difference \$	476,027

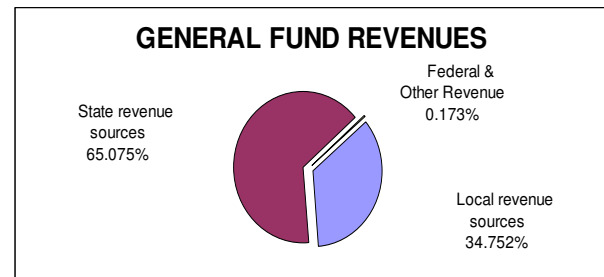


EXPENDITURES	Budget	Actual
Instruction	\$ 10,813,001	\$ 10,375,417
Student Support Services	\$ 774,884	\$ 742,498
Instructional Staff Support	\$ 962,629	\$ 970,964
District Admin.	\$ 789,004	\$ 627,483
School Admin.	\$ 1,008,291	\$ 1,003,017
Business Support	\$ 240,968	\$ 249,497
Plant Operations/Maint.	\$ 3,805,752	\$ 3,797,988
Student Transportation	\$ 862,906	\$ 833,287
Central Office	\$ 65,919	\$ 71,075
Other (Including Contingency)	\$ 860,202	\$ 123
Total	\$ 20,183,556	\$ 18,671,349
	difference \$	(1,512,207)



The following tables present a summary of revenue and expenditures of the General Fund for the fiscal year ended June 30, 2005.

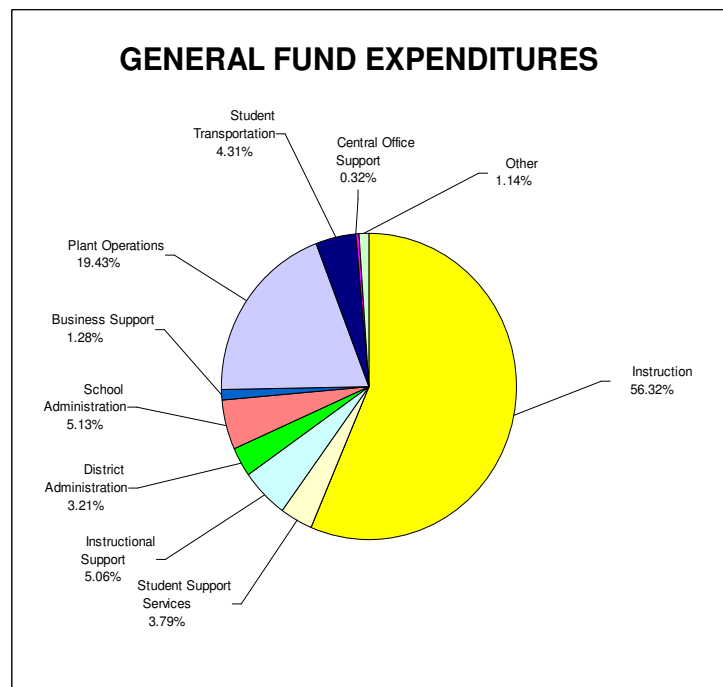
Revenues:	<u>Amount</u>
Local revenue sources	\$7,873,502
<i>Taxes</i>	
<i>Property</i>	\$5,273,333
<i>Motor Vehicle</i>	\$418,901
<i>Utilities</i>	\$1,630,040
<i>Other</i>	\$361,449
<i>Tuition and Fees</i>	\$91,984
<i>Earnings on Investments</i>	\$65,776
<i>Other Local Revenue</i>	\$32,019
State revenue sources	\$14,743,759
Federal Revenue	\$39,260
Total revenues	\$22,656,521



The majority of revenue was derived from state funding (65%) with local revenue sources making up 35% of total revenue.

Expenditures	
Instruction	\$12,467,267
Support Services	
Student Support Services	\$839,471
Instructional Support	\$1,119,887
District Administration	\$710,603
School Administration	\$1,134,624
Business Support	\$284,130
Plant Operations	\$4,300,170
Student Transportation	\$954,503
Central Office Support	\$71,075
Other	\$252,946
Total Expenditures	\$22,134,676

Excess of Revenue over Expenditures	\$521,845
Operating Transfers	\$ (206,495)
Net Change in Fund Balance	\$315,350



CAPITAL ASSET AND DEBT ADMINISTRATION

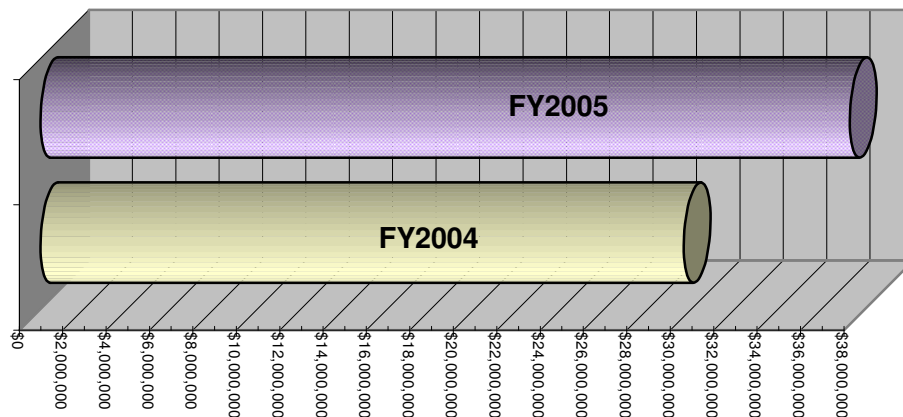
Capital Assets

By June 30, 2005, the district had invested \$37,299,350 in capital assets. This included land, school buildings, athletic facilities, maintenance facilities, computer equipment and administrative offices. The cumulative total initial cost of assets was \$53,914,980 with accumulated depreciation of \$16,615,630.

SUMMARY OF CAPITAL ASSETS

CAPITAL ASSETS (net of depreciation)	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District Percentage Change
	FY2004	FY2005	FY2004	FY2005	FY2004	FY2005	2004-2005
Land	\$2,348,775	\$2,743,855	\$0	\$0	\$2,348,775	\$2,743,855	16.8%
Construction in Progress	\$1,324,097	\$0	\$0	\$0	\$1,324,097	\$0	-100.0%
Buildings	\$24,093,126	\$32,167,790	\$0	\$0	\$24,093,126	\$32,167,790	33.5%
Equipment & Furniture	\$1,510,299	1,850,323	\$355,863	\$537,382	\$1,866,162	\$2,387,705	27.9%
Total Assets	\$29,276,297	\$36,761,968	\$355,863	\$537,382	\$29,632,160	\$37,299,350	25.9%

BGISD Capital Assets (Increase of 25.9% or \$7,667,190)

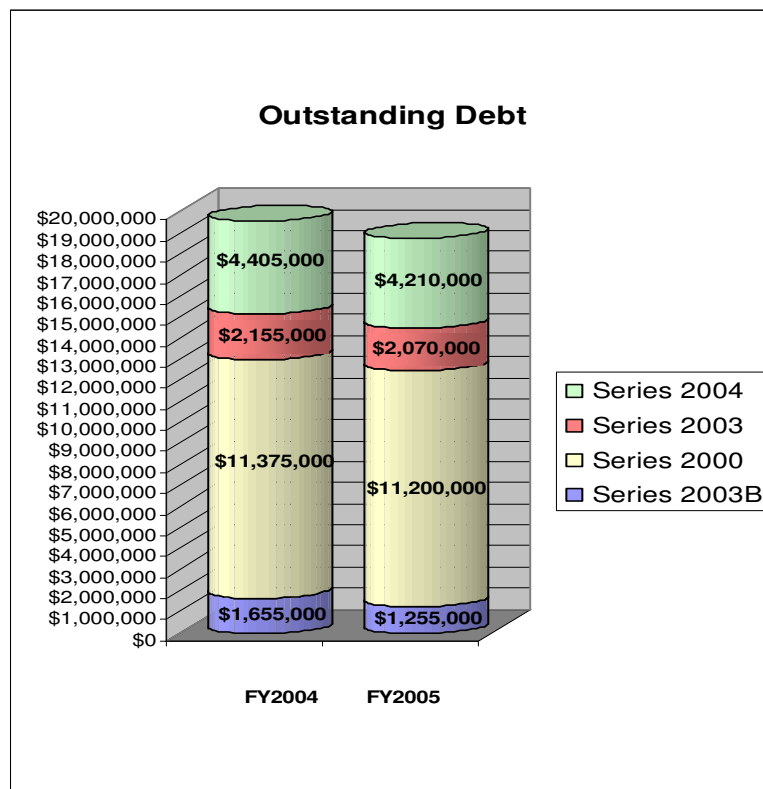


Long-Term Debt

At year-end the district had \$18.735 million in general obligation bonds outstanding. This was a decrease of \$855,000 or 4.4% from last year. The decrease was due to bonds being paid down and no new bonds being issued.

Outstanding Debt at Year End FY 2005

		Governmental Activities 2004	Governmental Activities 2005
General Obligation Bonds:			
Series 2004	Parker-Bennett-Curry Construction	\$4,405,000	\$4,210,000
Series 2003	Energy Conservation Project for Elementary Schools	\$2,155,000	\$2,070,000
Series 2000	Junior High Construction	\$11,375,000	\$11,200,000
Series 2003B	Refunding of 1993 & 1987 Series (1987 Series - High School Renovation)	\$1,655,000	\$1,255,000
TOTAL		\$19,590,000	\$18,735,000



BUDGETARY IMPLICATIONS

It is extremely important that the district continue to budget very conservatively. The district receives approximate 65 % of its new general fund revenue each year through the state funding formula (SEEK). On occasions, there have been adjustments that caused a very significant decrease in the funding. The SEEK forecasts from the state should be considered only an estimate of state revenue. If the state does not get the revenue from taxing sources, an adjustment will be made to the funding formula. The district should always be prepared for such reductions in funding.

Approximately 34% of the new general fund revenue is from local property tax. The major portion of the tax revenue does not come to the district until the fifth-seventh months. This means the general fund's beginning fund balance must be used to absorb much of the first four months of expenditures. Provisions must always be made to have a significant fund beginning balance to start each year. The district has an ending fund balance of \$1,998,433 or 9.9 % of the total general fund budget as a beginning balance for next year.

By law, the budget must have a minimum of 3 % in contingency. The district was able to adopt a budget with \$1,327,022 in contingency (6.1 %) for the next fiscal year because of the adequate ending balance of \$1,998,433 in FY 2005.

Significant Board actions that impact finances include approving a 3 % pay raise for all employees, additional spending on students with special needs, the Limited English Proficient (LEP) program and General Fund matching dollars for other grants. Last year \$201,733 was required from the general fund to participate in special revenue funds (grants). The district currently participates in forty federal and state grants. The total budget for these grants is \$4,387,290. Many of these grants are funded on a reimbursement basis. This requires the district to pay the expenses of the grant and then apply for reimbursement. At year-end, the District's General Fund was due \$495,506 from the special revenue grant fund. The district must continue to monitor the grants constantly and get reimbursements in a timely manner. The district must also maintain a significant cash balance in order to pay the expenses of these grants while waiting for reimbursements.

DISTRICT CHALLENGES FOR THE FUTURE

The primary challenges for Bowling Green Independent Schools are to continue to provide modern facilities, continue the excellence with a more diverse population, and maintain the average daily attendance count.

Our district facilities plan calls for reducing the number of elementary centers from six to four. We made an important step during the last year by reducing the number of elementary centers to five. We have built a new center that in essence, replaces two older buildings. We need to plan to do that again within the next five to ten years. This will give the district two new elementary facilities and two older ones. The older ones have been modernized through the performance contract we have with Chevron that makes our facilities much more energy efficient and saves enough money to cover most of the costs. Adhering to the facilities plan is essential in providing excellent learning environments for our students.

The second challenge mentioned above is to maintain the excellence our district has enjoyed with a growing diverse population. Our community has been designated as an immigration center. This presents our district with the challenge of teaching many students who do not speak English. Our Limited English Proficient (LEP) population has grown to be 14 % of the district's enrollment. In continuing to provide services to this population, it is essential that we continue to seek grant funds. We were able to successfully lobby the legislature to provide SEEK (state education funding formula) revenue for the LEP population. We will receive about \$258/LEP student in additional funds for a total of \$116,786. It will be important to maintain this funding.

The third challenge mentioned is preserving the average daily attendance count. The district receives funding through the SEEK formula based on this count. There are a very limited number of new homes constructed within the boundaries of the district. Therefore, growth within the district is limited. It is vital that our schools have high attendance percentages and that parents and students continue to choose Bowling Green Independent Schools when they could be attending elsewhere. Maintaining excellence and emphasizing serving the public are the main factors influencing this district challenge.

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information should be directed to the Danny L. Spillman, Director of Financial Services (270)746-2200, 1211 Center St., Bowling Green, KY, 42101 or e-mail at dspillman@b-g.k12.ky.us.

Basic Financial Statements

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash.....	\$ 5,300,425	\$ 203,858	\$ 5,504,283
Investments.....	1,177,372	0	1,177,372
Accounts receivable:			
Taxes	328,897	0	328,897
Accounts	97,826	0	97,826
Intergovernmental	677,827	97,906	775,733
Inventory	0	34,948	34,948
Bond issuance cost.....	31,704	0	31,704
Less: accumulated depreciation.....	(1,585)	0	(1,585)
Non-depreciated capital assets.....	1,690,856	0	1,690,856
Depreciable capital assets	51,379,270	844,854	52,224,124
Less: accumulated depreciation.....	(16,308,158)	(307,472)	(16,615,630)
TOTAL ASSETS	<u>44,374,434</u>	<u>874,094</u>	<u>45,248,528</u>
LIABILITIES			
Accounts payable.....	1,496,480	29,644	1,526,124
Accrued liabilities	97,614	26,026	123,640
Deferred revenue	36,593	0	36,593
Accrued interest	344,046	0	344,046
Long-term obligations:			
Due within one year:			
Outstanding bonds	880,000	0	880,000
Other	109,868	0	109,868
Compensated absences.....	359,432	0	359,432
Due beyond one year:			
Outstanding bonds	17,855,000	0	17,855,000
Other	131,501	0	131,501
Compensated absences.....	776,431	0	776,431
TOTAL LIABILITIES	<u>22,086,965</u>	<u>55,670</u>	<u>22,142,635</u>

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
NET ASSETS			
Invested in capital assets, net of related debt	17,785,599	537,382	18,322,981
Restricted for:			
SFCC	1,424,321	0	1,424,321
Capital projects.....	209,509	0	209,509
Compensated absences.....	1,165,460	0	1,165,460
Debt service	265,302	0	265,302
Unrestricted.....	1,437,278	281,042	1,718,320
TOTAL NET ASSETS	\$ 22,287,469	\$ 818,424	\$ 23,105,893

See accompanying notes to the financial statements.

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

		PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS									
		EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL							
GOVERNMENTAL ACTIVITIES															
Instruction.....	\$	17,664,094	\$	91,984	\$	4,141,899	\$	68,325	\$	(13,361,886)	\$	0	\$	(13,361,886)	
Support services:															
Student		837,535		0		0		0		(837,535)		0		(837,535)	
Instructional staff.....		1,239,090		0		159,960		0		(1,079,130)		0		(1,079,130)	
District administration.....		698,490		0		0		0		(698,490)		0		(698,490)	
School administration.....		1,149,031		0		0		0		(1,149,031)		0		(1,149,031)	
Business		284,341		0		0		0		(284,341)		0		(284,341)	
Plant operations and maintenance		4,086,846		6,170		0		0		(4,080,676)		0		(4,080,676)	
Student transportation.....		906,047		0		19,849		0		(886,198)		0		(886,198)	
Central office.....		72,457		0		0		0		(72,457)		0		(72,457)	
Other		571,629		0		329,102		0		(242,527)		0		(242,527)	
Facilities acquisition and construction.....		194,739		0		0		896,407		701,668		0		701,668	
Interest on long-term debt		897,302		0		0		219,383		(677,919)		0		(677,919)	
Loss on disposal of assets		17,180		0		0		0		(17,180)		0		(17,180)	
TOTAL GOVERNMENTAL ACTIVITIES		28,618,781		98,154		4,650,810		1,184,115		(22,685,702)		0		(22,685,702)	

BUSINESS-TYPE ACTIVITIES

Food services	1,918,728	650,113	1,236,609	194,295	0	162,289	162,289
TOTAL BUSINESS-TYPE ACTIVITIES	1,918,728	650,113	1,236,609	194,295	0	162,289	162,289
TOTAL SCHOOL DISTRICT	\$ 30,537,509	\$ 748,267	\$ 5,887,419	\$ 1,378,410	(22,685,702)	162,289	(22,523,413)

GENERAL REVENUES

Taxes:			
Property	6,204,309	0	6,204,309
Motor vehicle	492,028	0	492,028
Utilities	1,630,040	0	1,630,040
Other	369,823	0	369,823
State aid	14,743,759	0	14,743,759
Investment earnings	184,657	5,823	190,480
Other	65,109	0	65,109
TOTAL GENERAL REVENUES	23,689,725	5,823	23,695,548
CHANGE IN NET ASSETS	1,004,023	168,112	1,172,135
NET ASSETS – AS ORIGINALLY STATED	21,463,359	470,399	21,933,758
PRIOR PERIOD ADJUSTMENT	(179,913)	179,913	0
NET ASSETS – BEGINNING OF YEAR – RESTATED	21,283,446	650,312	21,933,758
NET ASSETS – END OF YEAR	\$ 22,287,469	\$ 818,424	\$ 23,105,893

See accompanying notes to the financial statements.

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	GENERAL FUND	SPECIAL REVENUE FUND	FSPK FUND	CONSTRUCTION FUND	SICK LEAVE TRUST FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS							
Cash	\$ 1,418,625	\$ 89,222	\$ 2,174,227	\$ 1,353,049	\$ 0	\$ 265,302	\$ 5,300,425
Investments	11,912	0	0	0	1,165,460	0	1,177,372
Accounts receivable:							
Taxes	317,642	0	11,255	0	0	0	328,897
Accounts	97,826	0	0	0	0	0	97,826
Intergovernmental	0	677,827	0	0	0	0	677,827
Due from other funds	495,506	0	0	0	0	0	495,506
TOTAL ASSETS	\$ 2,341,511	\$ 767,049	\$ 2,185,482	\$ 1,353,049	\$ 1,165,460	\$ 265,302	\$ 8,077,853

**LIABILITIES
AND FUND BALANCES**

LIABILITIES

Accounts payable	\$ 245,464	\$ 145,727	\$ 0	\$ 1,105,289	\$ 0	\$ 0	\$ 1,496,480
Accrued liabilities	97,614	0	0	0	0	0	97,614
Due to other funds	0	495,506	0	0	0	0	495,506
Deferred revenue	0	36,593	0	0	0	0	36,593
TOTAL LIABILITIES	343,078	677,826	0	1,105,289	0	0	2,126,193

FUND BALANCES

Reserved for:							
Encumbrances	99,260	0	0	38,251	0	0	137,511
SFCC	0	0	1,424,321	0	0	0	1,424,321
Future construction	0	0	0	209,509	0	0	209,509
Compensated absences	0	0	0	0	1,165,460	0	1,165,460
Debt service	0	0	0	0	0	265,302	265,302
Unreserved	1,899,173	89,223	761,161	0	0	0	2,749,557
TOTAL FUND BALANCES	1,998,433	89,223	2,185,482	247,760	1,165,460	265,302	5,951,660

**TOTAL LIABILITIES AND
FUND BALANCES**

\$ 2,341,511	\$ 767,049	\$ 2,185,482	\$ 1,353,049	\$ 1,165,460	\$ 265,302	\$ 8,077,853
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BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS..... \$ 5,951,660

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported as assets in governmental funds. The cost
of the assets is \$53,070,126, and the accumulated depreciation is
\$16,308,158. 36,761,968

Bond issuance costs are not financial resources and, therefore, are not
reported as assets in governmental funds. The cost of the asset is \$31,704
and the accumulated amortization is \$1,585. 30,119

Long-term liabilities, including bonds payable, are not due and payable in
the current period and therefore are not reported as liabilities in the funds.
Long-term liabilities at year-end consist of:

Bonds payable	(18,735,000)
Accrued interest on the bonds	(344,046)
Other debt	(241,369)
Compensated absences	(1,135,863)

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES \$ 22,287,469

See accompanying notes to the financial statements.

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

	GENERAL FUND	SPECIAL REVENUE FUND	FSPK FUND	CONSTRUCTION FUND	SICK LEAVE TRUST FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES							
From local sources:							
Taxes:							
Property	\$ 5,273,333	\$ 0	\$ 930,976	\$ 0	\$ 0	\$ 0	\$ 6,204,309
Motor vehicle	418,901	0	73,127	0	0	0	492,028
Utilities	1,630,040	0	0	0	0	0	1,630,040
Other	361,449	0	8,374	0	0	0	369,823
Tuition and fees	91,984	0	0	0	0	0	91,984
Earnings on investments	65,776	2,239	50,243	99,691	55,682	10,717	284,348
Other local revenue	32,019	282	0	0	0	0	32,301
Intergovernmental – state	14,743,759	1,443,170	469,785	0	0	546,314	17,203,028
Intergovernmental – federal	39,260	3,275,683	0	0	0	0	3,314,943
TOTAL REVENUES	22,656,521	4,721,374	1,532,505	99,691	55,682	557,031	29,622,804
EXPENDITURES							
Current:							
Instruction	12,467,267	4,330,752	0	0	0	0	16,798,019
Support services:							
Student	839,471	0	0	0	0	0	839,471

Instructional staff	1,119,887	159,960	0	0	0	0	1,279,847
District administration	710,603	0	0	0	0	0	710,603
School administration	1,134,624	0	0	0	0	0	1,134,624
Business	284,130	0	0	0	4,907	0	289,037
Plant operations and maintenance	4,300,170	0	0	0	0	0	4,300,170
Student transportation	954,503	19,849	0	0	0	0	974,352
Central office	71,075	0	0	0	0	0	71,075
Facilities acquisition and construction	0	0	444	8,240,603	0	0	8,241,047
Other	252,946	329,102	0	0	0	0	582,048
Debt service:							
Principal	0	0	0	0	0	855,000	855,000
Interest	0	0	0	0	0	907,260	907,260
TOTAL EXPENDITURES	22,134,676	4,839,663	444	8,240,603	4,907	1,762,260	36,982,553
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	521,845	(118,289)	1,532,061	(8,140,912)	50,775	(1,205,229)	(7,359,749)
OTHER FINANCING SOURCES (USES)							
Operating transfers	(206,495)	43,888	(1,307,924)	0	0	1,470,531	0
TOTAL OTHER FINANCING SOURCES (USES)	(206,495)	43,888	(1,307,924)	0	0	1,470,531	0
NET CHANGE IN FUND BALANCES	315,350	(74,401)	224,137	(8,140,912)	50,775	265,302	(7,359,749)
FUND BALANCES – BEGINNING OF YEAR	1,683,083	163,624	1,961,345	8,388,672	1,114,685	0	13,311,409
FUND BALANCES – END OF YEAR	\$ 1,998,433	\$ 89,223	\$ 2,185,482	\$ 247,760	\$ 1,165,460	\$ 265,302	\$ 5,951,660

See accompanying notes to the financial statements.

**BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005**

TOTAL NET CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS \$ (7,359,749)

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$8,886,583) exceeds depreciation expense (\$1,449,764) in the period.....	7,436,819
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Gains and losses are not presented in governmental funds because they do not provide or use current financial resources. However, they are presented on the statement of activities. The difference between proceeds from the sale of assets and the actual gain/loss from the sale net to this amount for the year.	(17,180)
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Repayment of bond principal and other debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.....	1,009,547
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Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the statement of activities are recognized when they are incurred relating to interest cost, debt issuance cost and compensated absences.	(65,414)
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CHANGE IN NET ASSETS – GOVERNMENTAL ACTIVITIES	\$ 1,004,023
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See accompanying notes to the financial statements.

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005

		ENTERPRISE FUND FOOD SERVICE
ASSETS		
CURRENT ASSETS		
Cash.....	\$ 203,858	
Accounts receivable:		
Intergovernmental	97,906	
Inventory	34,948	
TOTAL CURRENT ASSETS	336,712	
NON-CURRENT ASSETS		
Fixed assets – net.....	537,382	
TOTAL ASSETS	\$ 874,094	
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 29,644	
Accrued liabilities	26,026	
TOTAL CURRENT LIABILITIES	55,670	
NET ASSETS		
Invested in capital assets.....	537,382	
Unrestricted.....	281,042	
TOTAL NET ASSETS	818,424	
TOTAL LIABILITIES AND NET ASSETS	\$ 874,094	

See accompanying notes to the financial statements.

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2005

	ENTERPRISE FUND FOOD SERVICE
OPERATING REVENUES	
Lunchroom sales	\$ 650,113
TOTAL OPERATING REVENUES	650,113
OPERATING EXPENSES	
Salaries and wages	771,560
Contract services	15,231
Materials and supplies	1,099,389
Other operating expenses	5,883
Depreciation expense	26,665
TOTAL OPERATING EXPENSES	1,918,728
OPERATING LOSS	(1,268,615)
NON-OPERATING REVENUES (EXPENSES)	
State operating grants	22,301
Federal operating grants	1,092,347
Donated commodities	121,961
Interest revenue	5,823
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,242,432
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(26,183)
CAPITAL CONTRIBUTIONS	194,295
CHANGE IN NET ASSETS	168,112
TOTAL NET ASSETS – BEGINNING OF YEAR – AS ORIGINALLY STATED	470,399
PRIOR PERIOD ADJUSTMENT	179,913
TOTAL NET ASSETS – BEGINNING OF YEAR – RESTATED	650,312
TOTAL NET ASSETS – END OF YEAR	\$ 818,424

See accompanying notes to the financial statements.

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2005

	ENTERPRISE FUND FOOD SERVICE
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges.....	\$ 648,334
Cash payments to employees for services.....	(768,286)
Cash payments for contract services	(15,231)
Cash payments to suppliers for goods and services.....	(984,094)
Cash payments for other operating expenses.....	(5,883)
NET CASH USED IN OPERATING ACTIVITIES	(1,125,160)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Nonoperating grants received.....	1,114,648
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,114,648
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets.....	(13,889)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(13,889)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments.....	5,823
NET CASH PROVIDED BY INVESTING ACTIVITIES	5,823
NET DECREASE IN CASH AND CASH EQUIVALENTS	(18,578)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	222,436
CASH AND CASH EQUIVALENTS – END OF YEAR	\$ 203,858

**RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN
OPERATING ACTIVITIES**

Operating loss.....	\$ (1,268,615)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation.....	26,665
Commodities used	121,961
Changes in assets and liabilities:	
Receivables.....	(1,779)
Inventories.....	(3,675)
Accounts payable.....	(2,991)
Compensated absences	3,274
	<hr/>
NET CASH USED IN OPERATING ACTIVITIES	<u><u>\$ (1,125,160)</u></u>

NONCASH ACTIVITY

- ▶ The construction fund contributed \$194,295 of fixed assets to the school food fund relating to the new school.

See accompanying notes to the financial statements.

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2005

	<u>AGENCY FUNDS</u>
ASSETS	
ASSETS	
Cash.....	\$ 300,468
Accounts receivable.....	<u>2,128</u>
TOTAL ASSETS	<u>\$ 302,596</u>
LIABILITIES	
LIABILITIES	
Accounts payable	\$ 10,481
Due to student groups	<u>292,115</u>
TOTAL LIABILITIES	<u>\$ 302,596</u>

See accompanying notes to the financial statements.

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES**

● **Reporting Entity**

The Bowling Green Independent Board of Education (the "Board"), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Bowling Green Independent School District (the "District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in the *Codification of Governmental Accounting and Financial Reporting Standards* as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds relevant to the operation of the Bowling Green Independent School District. In accordance with GASB 39, the financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc., except for those funds administered as an activity in the Agency funds.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization is included in the accompanying financial statements:

Bowling Green Independent School District Finance Corporation — The Bowling Green Independent Board of Education resolved to authorize the establishment of the Bowling Green Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Bowling Green Independent Board of Education also comprise the Corporation's Board of Directors.

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2005

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)**

● **Basis of Presentation**

Government-wide Financial Statements — The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2005

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)**

Fund Financial Statements — Fund financial statements report detailed information about the District's funds, including fiduciary funds. Separate statements for each fund category — governmental, proprietary and fiduciary — are presented. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total fund balances. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

► **Governmental Fund Types**

The *General Fund* is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. The General Fund is a major fund.

The *Special Revenue Funds* account for proceeds of specific revenue sources (other than debt service, enterprise funds or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2005

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)**

employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the schedule of expenditures of federal awards included in this report. In addition, the Kentucky Education Technology System (KETS) allocation and local district matching funds are being recorded in the special revenue fund as required by the Kentucky Department of Education. These funds are restricted for the purchase of technology consistent with the District's approved technology plan. The Special Revenue Fund is a major fund.

Special Revenue Fund — Sick Leave Trust — The corpus and any earnings of the Trust are restricted for payment of compensated absences of the District as stated in the trust agreement. The Special Revenue Fund — Sick Leave Trust is a major fund.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds) and to provide financial resources for debt service requirements.

The *Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund* receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.

The *Facility Support Program of Kentucky Fund (FSPK)* accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds are restricted for use in financing projects identified in the District's facility plan. The FSPK fund is a major fund.

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2005

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)**

The *Construction Fund* accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. The Construction Fund is a major fund.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost as required by Kentucky law.

► **Proprietary Fund Types**

Enterprise Fund

The *School Food Service Fund* is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The School Food Service Fund is a major fund.

To the proprietary activities, the District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

► **Fiduciary Fund Types** (includes agency funds)

Fiduciary funds account for assets held by the District in a trustees capacity or as an agent on behalf of others.

Agency Funds

The *Activity Fund* accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Uniform Program of Accounting for School Activity Funds*.

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2005

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)**

● **Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

The records of the District are maintained and the budgetary process is based on the modified accrual basis of accounting. This practice is the accounting method prescribed by the Committee for School District Audits. The District is required by state law to adopt annual budgets for the General Fund, Special Revenue Fund and Capital Projects Funds.

For financial purposes, the accounting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance.

The Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net assets.

The financial statements of the governmental fund types are on the modified accrual basis of accounting. On this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid. The Proprietary Funds are accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2005

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)**

● **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

● **Cash and Cash Equivalents**

The District considers demand deposits, money market funds and other highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

● **Investments**

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

● **Inventory**

Supplies and materials are charged to expenditures when purchased (purchases method) with the exception of the Proprietary Funds, which records inventory at the lower of cost, determined by first-in first-out ("FIFO") method, or market.

● **Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Description	Estimated Lives
Buildings and improvements	25–50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5–10 years
Audio-visual equipment	15 years
Food service equipment	10–12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2005

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)**

● **Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

● **Compensated Absences**

The District uses the vesting method to compute compensated absences for sick leave. Sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits at termination. The District records a liability for accumulated unused sick leave time when earned for all employees with more than five years of service.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "*matured compensated absences payable*" in the funds from which the employees will be paid.

● **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the Government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. Bonds are recognized as a liability on the fund financial statements when due.

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2005

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)**

● **Fund Equity**

Reservations of fund balance represent amounts that are not appropriable or legally segregated for a specific purpose. Reservations of net assets are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change.

● **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

● **Property Taxes**

Property taxes collected are recorded as revenues in the fund for which they were levied. The assessment date of the property taxes is January 1 of each year. The levy is normally set during the September Board meeting. Assuming property tax bills are timely mailed, the collection date is the period from September 15 through December 31. Collections from the period September 15 through November 1 receive a two percent discount. The due date is the period from November 2 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien being filed by the County Attorney.

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2005

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)**

● **Revenues — Exchange and Nonexchange Transactions**

Revenues resulting from exchange transactions are where each party receives equal value. On the modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Assets from property taxes are normally recognized when an enforceable legal claim arises. However, for the District, an enforceable legal claim arises after the period for which taxes are levied. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September. On the modified accrual basis, assets and revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Revenues from nonexchange transactions must also be available before they can be recognized.

● **Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2005

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)**

● **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

● **Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

● **Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

● **Encumbrance Accounting**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2005. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2005

NOTE 2: CASH AND INVESTMENTS

• **Deposits**

At June 30, 2005, the carrying amounts of the District's deposits were \$5,804,251 and the bank balances were \$6,384,031 which was covered by federal depository insurance or by collateral held by the bank's agent in the District's name.

The carrying amounts are reflected in the financial statements as follows:

Governmental funds	\$ 5,300,425
Proprietary funds	203,358
Fiduciary funds	<u>300,468</u>
	<u><u>\$ 5,804,251</u></u>

► *Custodial Credit Risk-Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. However, the District is required by state statute that bank deposits must be collateralized. The District's bank balance of \$6,384,031 was not exposed to custodial credit risk as of June 30, 2005.

• **Investments**

<u>Investment</u>	<u>Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
CD	N/R	4/20/2006	\$ 11,912
Cash	N/R	On Demand	81,973
Abbott Labs Corp Bond	AA	7/1/2006	25,418
Anheuser-Bush Cos Inc Corp Bond	A+	1/15/2013	30,150
Bank of America Corp Bond	A	1/15/2011	28,612
Chevron Texaco Capital Corp Bond	AA	9/17/2007	24,758
Goldman Sachs Group Corp Bond	A+	1/15/2008	24,986

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2005

NOTE 2: CASH AND INVESTMENTS (Continued)

<u>Investment</u>	<u>Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Household Finance Corp Bond	A	1/15/2008	25,251
IBM Corp Bond	A+	10/01/2006	25,266
Lehman Brothers Holdings Corp Bond	A	1/22/2008	24,911
Pepsico Inc Corp Bond	A+	5/15/2007	29,610
US Bancorp Bond	A+	7/15/2007	25,493
Wachovia Corp Bond	A	8/1/2014	31,317
Wal-Mart Stores Corp Bond	AA	8/1/2006	25,377
Wells Fargo & Co Corp Bond	AA	2/15/2007	25,413
Federal Home Loan Mortgage Corporation	AAA	10/11/2012	45,042
Federal Home Loan Mortgage Corporation	AAA	11/7/2013	90,337
Federal Farm Credit Bank	AAA	4/15/2008	68,557
Federal Farm Credit Bank	AAA	3/15/2006	49,578
Federal National Mortgage Association	AAA	7/18/2012	45,042
Federal National Mortgage Association	AAA	8/11/2014	93,931
Tennessee Valley Authority	AAA	11/13/2008	52,249
Tennessee Valley Authority	AAA	5/23/2012	28,943
BB&T Inter US Govt Fund I Shares Fund 23	N/R		52,851
BB&T Short US Govt Fund I Shares Fund 22	N/R		51,593
BB&T Total Return Bond FD#53 CL TR	N/R		80,512
Federal Home Loan Mortgage Corp Series 1072 CL G	N/R	5/15/2006	929
US Treasury Note	AAA	8/15/2012	41,485
US Treasury Note	AAA	8/15/2013	35,876
Total			\$ 1,177,372

► *Interest Rate Risk*

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2005

NOTE 2: CASH AND INVESTMENTS (Continued)

► *Credit Risk*

Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and shares in mutual funds. The District has no investment policy that would further limit its investment choices.

► *Concentration of Credit Risk*

The District places no limit on the amount the District may invest in any one issuer. More than 5 percent of the District's investments are in Federal Home Loan Mortgage, Federal Farm Credit, Federal National Mortgage Association, TVA and BB&T mutual funds. These investments are 11%, 10%, 12%, 7% and 16%, respectively, of the District's total investments.

NOTE 3: INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2005 consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	<u><u>\$ 495,506</u></u>

The amount represents an interfund loan between the General Fund and Special Revenue Fund that is necessary to fulfill the current cash requirements of the Special Revenue Fund.

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2005

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

	Capital Cost			
	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Capital assets that are not depreciated:				
Land.....	\$ 1,690,856	\$ 0	\$ 0	\$ 1,690,856
Construction in progress	1,324,097	8,240,603	9,564,700	0
Total Nondepreciable Historical Cost	3,014,953	8,240,603	9,564,700	1,690,856
Capital assets that are depreciated:				
Land improvements.....	1,348,594	445,817	0	1,794,411
Buildings and improvements	34,866,482	8,939,006	0	43,805,488
Technology equipment.....	3,596,053	657,021	996,238	3,256,836
Vehicles	1,649,765	120,750	0	1,770,515
General	710,582	114,118	72,680	752,020
Total Depreciable Historical Cost	42,171,476	10,276,712	1,068,918	51,379,270
Less accumulated depreciation for:				
Land improvements.....	690,675	50,737	0	741,412
Buildings and improvements	10,773,356	864,342	0	11,637,698
Technology equipment.....	2,555,461	402,262	983,149	1,974,574
Vehicles	1,269,369	78,868	0	1,348,237
General	621,271	53,555	68,589	606,237
Total Accumulated Depreciation	15,910,132	1,449,764	1,051,738	16,308,158
Total Depreciable Historical Cost, Net	26,261,344	8,826,948	17,180	35,071,112
Governmental Activities, Capital Assets, Net	\$ 29,276,297	\$ 17,067,551	\$ 9,581,880	\$ 36,761,968

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2005

NOTE 4: CAPITAL ASSETS (Continued)

	Capital Cost			
	Beginning Balance	Additions	Disposals	Ending Balance
Business-Type Activities:				
Capital assets that are depreciated:				
Technology equipment.....	\$ 3,757	\$ 4,887	\$ 0	\$ 8,644
General	647,517	203,297	14,604	836,210
Total Depreciable Historical Cost	651,274	208,184	14,604	844,854
Less accumulated depreciation for:				
Technology equipment.....	482	1,648	0	2,130
General	294,929	25,017	14,604	305,342
Total Accumulated Depreciation	295,411	26,665	14,604	307,472
Total Depreciable Historical Cost, Net	355,863	181,519	0	537,382
Business-Type Activities, Capital Assets, Net	\$ 355,863	\$ 181,519	\$ 0	\$ 537,382

Depreciation expense was charged to governmental functions as follows:

Instruction.....	\$ 1,297,813
Support services:	
Student.....	392
Instruction staff	1,007
District administration	4,666
School administration	14,407
Business	680
Plant operations and maintenance	53,236
Student transportation	76,181
Central office.....	1,382
Total Depreciation Expense	\$ 1,449,764

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2005

NOTE 4: CAPITAL ASSETS (Continued)

At June 30, 2005, L. C. Curry Elementary School was idle because those students were placed at a new elementary school, Parker–Bennett–Curry. The District has not decided the intended use of the L. C. Curry Elementary School. No impairment has been recognized in the financial statements because a permanent decline in the school's service utility will not be known until the District makes a final decision on the new use of the facility. The carrying value of L. C. Curry Elementary School at June 30, 2005 was \$58,270.

NOTE 5: GENERAL LONG-TERM OBLIGATIONS

The original amount of each issue, the issue date and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
1993	\$ 4,700,000	4.25%—4.75%
2000	11,670,000	5.00%—5.75%
2003 KISTA	2,205,000	1.25%—4.50%
2003	1,310,000	1.00%—1.50%
2004	4,405,000	2.00%—4.40%

On July 1, 2005, the District issued \$9,390,000 of bonds to advance refund the 2000 bond issue. The new bonds have a net interest cost of 3.75%. The advance refunding has an economic savings of \$626,396.

The District, through the General Fund, including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Funds, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Bowling Green Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2005

NOTE 5: GENERAL LONG-TERM OBLIGATIONS (Continued)

The District has entered into "participation agreements" with the School Facility Construction Commission (SFCC). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2005 for debt service (principal and interest) are as follows:

Year	Bowling Green Independent School District		School Facility Construction Commission		Total Debt Service
	Principal	Interest	Principal	Interest	
2005–2006	\$ 779,981	\$ 759,336	\$ 100,019	\$ 116,668	\$ 1,756,004
2006–2007	805,550	740,242	104,450	112,224	1,762,466
2007–2008	845,915	719,042	109,085	107,538	1,781,580
2008–2009	885,892	699,772	114,108	102,459	1,802,231
2009–2010	935,551	659,831	119,449	97,099	1,811,930
2010–2011	989,845	616,685	125,155	91,349	1,823,034
2011–2012	1,033,764	569,953	131,236	85,220	1,820,173
2012–2013	1,087,232	519,823	137,768	78,644	1,823,467
2013–2014	1,150,230	465,777	144,770	71,596	1,832,373
2014–2015	1,212,829	408,118	152,171	64,145	1,837,263
2015–2016	1,280,004	347,011	159,996	56,268	1,843,279
2016–2017	1,361,730	281,725	168,270	47,948	1,859,673
2017–2018	1,432,845	211,004	177,155	39,015	1,860,019
2018–2019	1,258,296	141,017	186,704	29,400	1,615,417
2019–2020	1,328,180	72,569	196,820	19,240	1,616,809
2020–2021	16	277	49,984	8,498	58,775
2021–2022	2,767	276	52,233	6,198	61,474
2022–2023	417	152	54,583	3,795	58,947
2023–2024	2,960	133	57,040	1,283	61,416
	\$ 16,394,004	\$ 7,212,743	\$ 2,340,996	\$ 1,138,587	\$ 27,086,330

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2005

NOTE 5: GENERAL LONG-TERM OBLIGATIONS (Continued)

Maturities of other debt are as follows for the fiscal year ending:

<u>June 30,</u>	
2006	\$ 109,868
2007	73,669
2008	41,040
2009	12,594
2010	<u>4,198</u>
	<u>\$ 241,369</u>

Changes in long-term obligations are as follows:

	<u>Balance July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2005</u>	<u>Amounts Due Within One Year</u>
District debt:					
Compensated absences	\$ 1,060,491	\$ 98,828	\$ (23,456)	\$ 1,135,863	\$ 359,432
Other	329,884	66,032	(154,547)	241,369	109,868
Bonds	19,590,000	0	(855,000)	18,735,000	880,000
	<u>\$ 20,980,375</u>	<u>\$ 164,860</u>	<u>\$ (1,033,003)</u>	<u>\$ 20,112,232</u>	<u>\$ 1,349,300</u>

Commitments under non-cancellable operating lease agreements for equipment as of June 30, 2005 are as follows:

<u>June 30,</u>	
2006	\$ 8,793
2007	7,190
2008	3,970
2009	1,888
2010	<u>900</u>
	<u>\$ 22,741</u>

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2005

NOTE 6: PENSION PLANS

► *Plan Descriptions*

The Bowling Green Independent School District participates in the Teachers' Retirement System of the State of Kentucky, a component unit of the Commonwealth of Kentucky (KTRS) and the County Employees Retirement System, a component unit of the Commonwealth of Kentucky (CERS), cost-sharing multiple-employer defined benefit plans. KTRS and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. KTRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The KTRS and CERS issues a publicly available financial report that includes financial statements and required supplementary information. KTRS' report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3800 or by calling (502) 573-3266. CERS' report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601-6124 or by calling (502) 564-5656.

► *Funding Policy*

KTRS and CERS plan members are required to contribute 9.855% and 5.00%, respectively, of their covered salary. The District is required to contribute to the CERS and the Commonwealth of Kentucky is required to contribute to the KTRS. The contribution rate is actuarially determined. The current rate for KTRS and CERS is 13.105% and 8.48% of annual covered payroll. The contribution requirements of the plan members, the District and Commonwealth of Kentucky are established and may be amended by the Plans' Board of Trustees. The District's contributions to CERS for the years ended June 30, 2005, 2004 and 2003 were \$350,126, \$283,566 and \$236,484, respectively, equal to the required contributions for each year.

For the year ended June 30, 2005, the Commonwealth contributed \$1,580,770 to the KTRS for the benefit of the District's participating employees. The District's contributions to the KTRS for the year ended June 30, 2005 were \$193,291, which represents those employees covered by federal programs.

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2005

NOTE 6: PENSION PLANS (Continued)

The amount recognized for revenues and expenditures for on-behalf payments relating to fringe benefits for the year ended June 30, 2005 was \$3,463,327 for governmental funds.

NOTE 7: CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE 8: INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes workers' compensation insurance.

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2005

NOTE 9: RISK MANAGEMENT

To obtain insurance for workers' compensation, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage.

Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2005

NOTE 10: EXCESS EXPENDITURES OVER APPROPRIATIONS

The District has no funds with a deficit fund balance. However, the following funds had excess current year expenditures over current year appropriated revenues:

<u>Fund</u>	<u>Amount</u>
Special Revenue	\$ 74,401
Construction Fund	8,140,912
Food Service	26,183

NOTE 11: FUND TRANSFERS

Fund transfers for the year ended June 30, 2005 consist of the following:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General Fund	Special Revenue	Matching	\$ 43,888
Operating	General Fund	Debt Service	Debt Service	162,607
Operating	Seek Fund	Debt Service	Debt Service	326,931
Operating	FSPK Fund	Debt Service	Debt Service	1,307,924

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2005

NOTE 12: PRIOR PERIOD ADJUSTMENT

The beginning net assets of the governmental activities, business-type activities and the school food fund have been adjusted to reflect the school food fixed assets of the Bowling Green Jr. High School as a business-type activity rather than previously presented as a governmental activity. The net effect was to increase net assets of business-type activities and the school food fund by \$179,913 and decrease net assets of the governmental activities by \$179,913. The adjustment had no impact on total net assets of the District.

Required Supplemental Information

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
For the Year Ended June 30, 2005

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCES FAVORABLE (UNFAVORABLE) FINAL TO ACTUAL
	ORIGINAL	FINAL		
REVENUES				
Local and intermediate sources.....	\$ 7,602,050	\$ 7,602,050	\$ 7,873,502	\$ 271,452
State programs.....	11,111,117	11,111,117	11,280,432	169,315
Federal programs.....	4,000	4,000	39,260	35,260
TOTAL REVENUES	18,717,167	18,717,167	19,193,194	476,027
EXPENDITURES				
Current:				
Instruction.....	10,813,001	10,813,001	10,375,417	437,584
Support services:				
Student.....	774,884	774,884	742,498	32,386
Instructional staff.....	962,629	962,629	970,964	(8,335)
District administration.....	789,004	789,004	627,483	161,521
School administration.....	1,008,291	1,008,291	1,003,017	5,274
Business.....	240,968	240,968	249,497	(8,529)
Plant operations and maintenance.....	3,805,752	3,805,752	3,797,988	7,764
Student transportation.....	862,906	862,906	833,287	29,619
Central office.....	65,919	65,919	71,075	(5,156)
Other.....	882,464	860,202	123	860,079
TOTAL EXPENDITURES	20,205,818	20,183,556	18,671,349	1,512,207

EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,488,651)</u>	<u>(1,466,389)</u>	<u>521,845</u>	<u>1,988,234</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers.....	<u>(194,432)</u>	<u>(216,694)</u>	<u>(206,495)</u>	<u>10,199</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(194,432)</u>	<u>(216,694)</u>	<u>(206,495)</u>	<u>10,199</u>
NET CHANGE IN FUND BALANCE.....	<u>(1,683,083)</u>	<u>(1,683,083)</u>	<u>315,350</u>	<u>1,998,443</u>
FUND BALANCE – BEGINNING OF YEAR.....	<u>1,683,083</u>	<u>1,683,083</u>	<u>1,683,083</u>	<u>0</u>
FUND BALANCE – END OF YEAR	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 1,998,433</u></u>	<u><u>\$ 1,998,433</u></u>

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS AND GAAP REVENUES AND EXPENDITURES

Inflows/revenues:

Actual amounts (budgetary basis).....	\$ 19,193,194
Differences — budget to GAAP:	
On-behalf payments recorded under GAAP basis not included in budget amounts	<u>3,463,327</u>

Total Revenues as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances — Governmental Funds

\$ 22,656,521

Outflows/expenditures:

Actual amounts (budgetary basis).....	\$ 18,671,349
Differences — budget to GAAP:	
On-behalf payments recorded under GAAP basis not included in budget amounts	<u>3,463,327</u>

Total Expenditures as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances — Governmental Funds

\$ 22,134,676

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL REVENUE FUND
For the Year Ended June 30, 2005

	BUDGETED AMOUNTS			VARIANCES FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL (GAAP BASIS)	FINAL TO ACTUAL
REVENUES				
Local and intermediate sources.....	\$ 18,769	\$ 18,769	\$ 2,521	\$ (16,248)
State programs	1,542,189	1,564,451	1,443,170	(121,281)
Federal programs	2,720,145	2,720,145	3,275,683	555,538
TOTAL REVENUES	4,281,103	4,303,365	4,721,374	418,009
EXPENDITURES				
Current:				
Instruction	3,822,518	3,822,518	4,330,752	(508,234)
Support services:				
Instructional staff	116,447	160,971	159,960	1,011
Student transportation.....	20,707	20,707	19,849	858
Other	343,057	343,057	329,102	13,955
TOTAL EXPENDITURES	4,302,729	4,347,253	4,839,663	(492,410)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(21,626)	(43,888)	(118,289)	(74,401)
OTHER FINANCING SOURCES (USES)				
Operating transfers.....	21,626	43,888	43,888	0
TOTAL OTHER FINANCING SOURCES (USES)	21,626	43,888	43,888	0

NET CHANGE IN FUND BALANCE.....	0	0	(74,401)	(74,401)
FUND BALANCE – BEGINNING OF YEAR.....	<u>0</u>	<u>0</u>	<u>163,624</u>	<u>163,624</u>
FUND BALANCE – END OF YEAR	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 89,223</u></u>	<u><u>\$ 89,223</u></u>

Supplemental Information

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

	SEEK FUND	DEBT SERVICE FUND	TOTAL OTHER GOVERNMENTAL FUNDS
ASSETS			
Cash.....	\$ 0	\$ 265,302	\$ 265,302
TOTAL ASSETS	\$ 0	\$ 265,302	\$ 265,302
FUND BALANCES			
FUND BALANCES			
Reserved for:			
Debt service	\$ 0	\$ 265,302	\$ 265,302
TOTAL FUND BALANCES	\$ 0	\$ 265,302	\$ 265,302

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

	SEEK FUND	DEBT SERVICE FUND	TOTAL OTHER GOVERNMENTAL FUNDS
REVENUES			
From local sources:			
Earnings on investments.....	\$ 0	\$ 10,717	\$ 10,717
Intergovernmental — state.....	326,931	219,383	546,314
TOTAL REVENUES	<u>326,931</u>	<u>230,100</u>	<u>557,031</u>
EXPENDITURES			
Debt service:			
Principal.....	0	855,000	855,000
Interest	0	907,260	907,260
TOTAL EXPENDITURES	<u>0</u>	<u>1,762,260</u>	<u>1,762,260</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	<u>326,931</u>	<u>(1,532,160)</u>	<u>(1,205,229)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers	(326,931)	1,797,462	1,470,531
TOTAL OTHER FINANCING SOURCES (USES)	<u>(326,931)</u>	<u>1,797,462</u>	<u>1,470,531</u>
NET CHANGE IN FUND BALANCES.....	<u>0</u>	<u>265,302</u>	<u>265,302</u>
FUND BALANCES — BEGINNING OF YEAR.....	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES — END OF YEAR	<u><u>\$ 0</u></u>	<u><u>\$ 265,302</u></u>	<u><u>\$ 265,302</u></u>

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF ASSETS AND LIABILITIES
ALL SCHOOL ACTIVITY FUNDS
ALL AGENCY FUNDS
June 30, 2005

	CASH JUNE 30, 2005	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE	DUE TO STUDENT GROUPS JUNE 30, 2005
Bowling Green High School	\$ 224,442	\$ 2,128	\$ 1,205	\$ 225,365
Bowling Green Junior High School	40,668	0	9,276	31,392
Parker–Bennett Elementary School	1,640	0	0	1,640
T. C. Cherry Elementary School	8,563	0	0	8,563
Potter–Gray Elementary School	14,608	0	0	14,608
Dishman–McGinnis Elementary School	8,475	0	0	8,475
McNeill Elementary School	2,072	0	0	2,072
TOTAL	\$ 300,468	\$ 2,128	\$ 10,481	\$ 292,115

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
BOWLING GREEN HIGH SCHOOL
June 30, 2005

	CASH JUNE 30, 2005	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE	DUE TO STUDENT GROUPS JUNE 30, 2005
African-American History	\$ 664	\$ 0	\$ 0	\$ 664
Alumni Association	1,205	0	0	1,205
Annual	26,225	79	0	26,304
Art Department	23	0	0	23
Athletics Fund – CD	35,270	0	0	35,270
Athletics – General	19,497	120	861	18,756
Auto Mechanics	1,262	0	0	1,262
Band	369	0	0	369
Beta	954	0	0	954
BGIT	4,554	0	0	4,554
Carpentry	156	0	0	156
Cheerleaders Boys Varsity	1,904	0	0	1,904
Council for Exceptional Children	671	0	0	671
Crimestoppers	152	0	0	152
Washington DC	794	0	0	794
Dance Team	77	0	0	77
DECA	592	0	0	592
Drama	274	0	0	274
Electronic Office	264	0	0	264
English	90	145	0	235
Engraving	167	0	0	167
Environmental	517	0	0	517
ESL/Culture Club	225	0	0	225
FACS	293	0	34	259
FBLA	87	1,095	0	1,182
FCA	74	0	0	74
FCCLA	1,562	85	55	1,592
Foods Fund	280	0	27	253
FMD	69	0	0	69
Foreign Language	251	0	0	251
French Club	1,433	0	0	1,433
Future Educators of America	480	0	0	480
GE Fund Star Program	36	0	0	36
General	2,026	580	70	2,536

	CASH JUNE 30, 2005	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE	DUE TO STUDENT GROUPS JUNE 30, 2005
German.....	11	0	0	11
Greenhouse	665	0	0	665
Guidance	3,022	0	0	3,022
History	59	0	0	59
Hospitality	5	0	0	5
Jon Clark Scholarship CD.....	37,799	0	0	37,799
Jon Clark Scholarship.....	1,585	0	0	1,585
Junior Class	11,936	0	0	11,936
JV Academic Team.....	65	0	0	65
Key Club	166	0	0	166
Cecil Karrick Scholarship Fund.....	5,930	0	0	5,930
Library.....	1,599	0	0	1,599
Literary.....	136	0	0	136
Monie Beard Scholarship.....	15,052	0	0	15,052
McGinnis.....	4,699	0	0	4,699
Mountain Bike Club.....	3	0	0	3
National Honor Society	965	0	0	965
One Stop School Shop	387	0	0	387
PTO Fund	2,052	0	0	2,052
PRIDE.....	576	0	0	576
Purple Gem Newspaper	111	0	0	111
Quiz Bowl Club	10	0	0	10
Renaissance	(24)	24	0	0
ROTC	1,537	0	0	1,537
Science Department	214	0	0	214
Social Studies Department	296	0	0	296
Softball Pride Plus	562	0	0	562
Spanish Club	605	0	0	605
Student Funds	4,908	0	0	4,908
Student Government.....	2,410	0	0	2,410
Textbook.....	965	0	0	965
VICA	6,177	0	0	6,177
Volleyball Boosters	7,553	0	0	7,553
Welding.....	2,076	0	0	2,076
WBGIT	5,953	0	0	5,953
Youth Services Center.....	1,880	0	158	1,722
	\$ 224,442	\$ 2,128	\$ 1,205	\$ 225,365

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE			
Passed-Through State Department of Education:			
School Breakfast Program	10.553	57605-05	\$ 260,847
National School Summer Meals Program	10.559	57405-23	117,071
National School Lunch Program.....	10.555	57505-02	714,429
Passed-Through State Department of Agriculture:			
Food Distribution Program	10.555	—	121,961
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,214,308
U.S. DEPARTMENT OF ARMY			
Junior ROTC Program — 2005.....	12.000	—	54,596
TOTAL U.S. DEPARTMENT OF ARMY			54,596
U.S. DEPARTMENT OF EDUCATION			
21 st Century — Comm Learn Centers Program.....	84.287A	74404-03	19,656
21 st Century — Comm Learn Centers Program.....	84.287A	74404-03	935
21 st Century — Comm Learn Centers Program.....	84.287A	74405-03	264,606
Passed-Through State Department of Education:			
Comp School Reform Demo Funds	84.332A	35503-02	15,675
Comp School Reform Demo Funds	84.332A	35504-02	189,657
Title I — 2004.....	84.010	35104-09	131,053
Title I — 2005.....	84.010	35105-09	896,851
Migrant Program	84.011A	35203-02	8,000
Migrant Program	84.011A	35203-02	(138)
Migrant Program	84.011A	35205-02	28,476
Title I — 2003 Neglected Delinquent Children	84.010	35103-09	7,377
Title I — 2004 Neglected Delinquent Children	84.010	35104-09	30,026
Even Start — 2005.....	84.213C	58805-02	100,000
Title VI — Innovative Ed — 2003	84.298	53305-02	9,756
IDEA — Part B Special Education — 2004	84.027	58104-02	11,857
IDEA — Part B Special Education — 2005	84.027	58105-02	641,890
IDEA — Silver Grant	84.027	58105-02	6,645
IDEA — Part B — Preschool — 2005	84.173	58705-02	51,260
Title III	84.365	52004-02	21,638

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
Title III	84.365	52005-02	47,781
Vocational Education — Basic — 2003.....	85.048	46203-32	1,077
Vocational Education — Basic — 2004.....	85.048	46204-32	(1,966)
Vocational Education — Basic — 2005.....	85.048	46205-32	40,135
Vocational Education — Basic — 2006.....	85.048	46206-32	15,994
Title I-A Teacher Quality	84.367A	71005-02	247,646
Title IV — Safe & Drug-Free Schools — 2005	84.186A	59005-02	26,330
Title II-D Technology Education	84.318X	73604-02	15,569
Title II-D Technology Education	84.318X	73605-02	24,480
Reading First.....	84.357A	52203-02	124,375
Reading First.....	84.357A	52204-02	108,968
Community Serv (Reduce Susp/Expulsions)	84.184	—	(14,260)
Community Serv (Reduce Susp/Expulsions)	84.184	—	89,155
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>3,160,504</u>
U.S. DEPARTMENT OF ADMINISTRATION FOR CHILDREN AND FAMILIES			
Passed-Through State Department of Education:			
Refugee Children	93.576	53604-01	7,746
Refugee Children	93.576	53605-01	10,350
TOTAL U.S. DEPARTMENT OF ADMINISTRATION FOR CHILDREN AND FAMILIES			<u>18,096</u>
U.S. DEPARTMENT OF THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Passed-Through State Department of Education:			
Service Learning Grant — 2005.....	94.004	—	3,000
TOTAL U.S. DEPARTMENT OF THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			<u>3,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 4,450,504</u></u>

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of ***Bowling Green Independent School District*** and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2005

● **04-1 Grant Compliance**

During our audit of grant programs, we noted that the District did not maintain documentation of employee time and effort for those employees working solely on a single federal program. Per OMB Circular A-87, Attachment B, an employee whose compensation is funded solely from a single federal program must furnish a semi-annual certification that he/she has been engaged solely in activities supported by the federal program. The employee or the supervisory official having first-hand knowledge of the work performed by the employee must sign these certifications. There are no questioned costs resulting from this noncompliance.

Management Response: Management will require all employees of federally funded programs devoting all their time to one program to substantiate in a written form twice yearly. The form will identify the program and will be signed and dated by the employee and supervisor.

Current Status: The District's corrective action plan was implemented and no other findings were noted.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for School District Audits
Members of the Board of Education
Bowling Green Independent School District
Bowling Green, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of ***Bowling Green Independent School District*** as of and for the year ended June 30, 2005, which collectively comprise ***Bowling Green Independent School District's*** basic financial statements and have issued our report thereon dated September 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the *Independent Auditors' Contract—General Audit Requirements*, Appendix II of the *Independent Auditors' Contract—State Audit Requirements* and Appendix III of the *Independent Auditors' Contract—Electronic Submission*.

● **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which

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the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we also noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated September 2, 2005.

● Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Appendix II of the *Independent Auditors' Contract—State Audit Requirements*.

This report is intended solely for the information and use of the members of the **Bowling Green Independent Board of Education**, Kentucky State Committee for School Districts, management of the **Bowling Green Independent School District**, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Holland CPAs, PSC

Bowling Green, Kentucky
September 2, 2005



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Kentucky State Committee for School District Audits
Members of the Board of Education
Bowling Green Independent School District
Bowling Green, Kentucky

● **Compliance**

We have audited the compliance of ***Bowling Green Independent School District*** (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We

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believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

● **Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the members of the **Bowling Green Independent Board of Education**, Kentucky State Committee for School Districts, management of the **Bowling Green Independent School District**, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Holland CPAs, PSC

Bowling Green, Kentucky
September 2, 2005

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2005

SECTION I — SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Reportable condition(s) identified that are not considered to be material weakness(es)? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ☐ Yes ☒ No

Reportable condition(s) identified that are not considered to be material weakness(es)? ☐ Yes ☒ None reported

Type of auditors' report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐ Yes ☒ No

BOWLING GREEN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2005

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553 / 10.555 / 10.559	Child Nutrition Cluster
84.010	Title I
84.027	IDEA — Part B
84.173	IDEA — Preschool

Dollar threshold used to distinguish
between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

SECTION II — FINANCIAL STATEMENT FINDINGS

None

SECTION III — FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None